



Why Anybody Can Make a Million

Description

One of the most appealing things about the stock market is that it is accessible to everyone. Even people with modest incomes, a lack of time, and a lack of experience can generate a healthy income as well as capital gains over a long period of time. And should an individual be able to improve their investing ability over their lifetime, the opportunity to make a million is very much within their grasp.

However, before anyone can run, they must walk. Perhaps the best way for an individual who lacks experience to become successful at investing is to focus on tracker funds. They aim to mimic the returns of a specific index, such as the S&P 500, over a period of time. While they will not be 100% accurate, they will usually deliver an almost identical return to the main index.

With stock markets likely to record a total return in the high single digits over a long period of time, tracker funds are an excellent means for people to tap into their performance. They require little to no administration or effort once the original investment has been made; the fund manager takes care of additions and removals to the fund. Furthermore, a regular monthly payment can be set up to top up your position, which reduces the amount of effort required even further.

Tracker funds are also a good idea for new investors because they offer excellent diversification. By their very nature they buy shares in a wide range of companies. This reduces company-specific risk and means that new investors are not overly concentrated in a relatively small number of investments. And with tracker funds being available online, they are truly accessible to all. In other words, you do not require a high minimum net worth, nor do you need to pay for a financial advisor.

However, for investors who are able to devote a little more time to their portfolios, buying and selling companies rather than funds could be a sound move. This opens up the potential to beat the index and generate a higher annual return than the high single-digit return which many tracker funds offer. While a couple of percentage points per year may not sound like much, over a decade or more it could add up and boost your chances of becoming a millionaire.

Furthermore, investing directly in companies rather than funds means you can access the best value sectors, as well as the fastest-growing industries. Likewise, avoiding potential banana skins could

boost your overall returns and make the path to a seven-figure portfolio a shorter one.

Although making a million from shares will not be quick nor easy, the opportunity is there for anybody to take. Certainly, the stock market is not without risk, but for those individuals who can take a long-term view and accept higher volatility than other assets such as cash and bonds, achieving millionaire status is very much in the cards.

CATEGORY

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